



State of California  
*Employment Training Panel*

*Arnold Schwarzenegger, Governor*

February 29, 2008

Reginald Akpata  
Director  
GoTrain, Inc.  
5150 E. Pacific Coast Highway, 2<sup>nd</sup> Floor  
Long Beach, CA 90804

Dear Mr. Akpata:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET06-0117 for the period July 6, 2005 through July 5, 2007.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment B to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

*Original signed by:*

Charles Rufo  
Audit Director

Enclosure

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GoTrain, Inc.  
Agreement No. ET06-0117  
Final Audit Report  
For The Period  
July 6, 2005 through July 5, 2007  
Report Published February 29, 2008

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# AUDITOR'S REPORT

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## Summary

We performed an audit of GoTrain, Inc.'s (GoTrain) compliance with Agreement No. ET06-0117, for the period July 6, 2005 through July 5, 2007. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period December 3, 2007, through February 8, 2008. During audit fieldwork conducted in Long Beach, California, we made photocopies of all training rosters and other correspondence made available by GoTrain. Additionally, we secured original training rosters for Employer Nos. 3 and 10 (see Attachment D) due to training roster deficiencies and irregularities; we left photocopies of these rosters with GoTrain.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$719,124.25. Our audit supported the entire \$719,124.25 is disallowed and must be returned to ETP. The disallowed costs resulted from one or more of the following reasons:

1. Training hour requirements were not met for 53 trainees from Employer Nos. 1, 5, 8, and 10. Trainees were disallowed due to material discrepancies between training hours reported on original training rosters versus detailed payroll registers provide by Trainer No. 9.
2. Training hour requirements were not met for 44 trainees from Employer Nos. 2, 3, 7, 11, and 12. Trainees were disallowed due to unsupported class/lab hours and training conducted by a subcontractor.
3. Training hour requirements were not met for 92 trainees from Employer Nos. 4, 6, 9 and 13. Trainees were disallowed due to unsupported class/lab hours, training attended before authorized start date, and training conducted by multiple subcontracted trainers.
4. Insufficient trainer payment documentation and other funding sources.
5. Eleven trainees who were placed in occupations not included in the Agreement.
6. Two trainees who did not meet full-time employment requirements and one trainee who did not meet retrainee eligibility requirements.

In addition, we noted the following administrative findings: 1) ineligible training agreements with participating employers, and 2) inaccurate reporting.

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# AUDITOR'S REPORT

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## Background

Established in 1999, GoTrain, Inc. (GoTrain) is a private for-profit training agency, that is eligible to contract with ETP under Title 22, California Unemployment Insurance Code, Section 4426(a)(6), as an institution approved and certified by the Council for Private Postsecondary and Vocational Education. The Contractor's representative reports GoTrain, located in Long Beach, CA, was registered with the Bureau of Private, Postsecondary and Vocational Education (BPPVE) to deliver onsite classroom-based vocational training.

This is the third Agreement with GoTrain. During Phase 1 of this project (Job Nos. 2 & 4), GoTrain was to provide each retrainee 200 hours of classroom/laboratory instruction in Business Skills, Computer Skills, Continuous Improvement, and Manufacturing Skills training. GoTrain stated that training was mandatory for all trainees and all training was to be conducted at the participating employer work sites. Phase 2 was approved on April 28, 2006 to add 119 new retrainees to the Agreement, which increased the maximum funding from \$494,102 to \$988,204.

This Agreement allowed GoTrain, Inc. to receive a maximum reimbursement of \$988,204 for retraining 238 employees. During the Agreement term, the Contractor placed 189 trainees and was reimbursed \$719,124.25 by ETP.

## Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of GoTrain, Inc. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that GoTrain, Inc. complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the following documentation: Contractor's documentation supporting training cost reimbursements, trainee and employer confirmations, trainer payroll records and invoices, and Employment Development Department (EDD) base wage information. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours invoiced by GoTrain, Inc. and as specified in the Agreement.

# AUDITOR'S REPORT

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- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- Contractor received and properly accounted for funds disbursed by ETP.
- Contractor received funding from any other source other than ETP.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

## Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported the entire \$719,124.25 paid to the Contractor under this Agreement is disallowed and must be returned to ETP [GoTrain, Inc. had submitted invoices totaling \$762,447 but \$43,322.75 was withheld due to a suspend payment from the outstanding overpayment from Agreement No. ET04-0530, which is currently under appeal]. This audit also recommends that the \$43,322.75 remain disallowed as all trainees invoiced were reviewed as part of this audit.

## Views of Responsible Officials

A draft audit report was issued to the Contractor on February 15, 2008. The Contractor responded to the draft audit report by letter dated February 25, 2008. The Contractor's entire response is incorporated within Attachment A of this report.

The Contractor disagreed with specific portions of Finding Nos. 1 through 3 and 5 through 8 and did not respond to Finding No. 4. No disallowed costs were reduced based on the Contractor's response. The final audit report includes updated information for Finding No. 2 based on responses from Employer No. 2 that were received on February 20, 2008, after the draft audit report was issued. The Contractor's response and auditor comments are

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# AUDITOR'S REPORT

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included in the Findings and Recommendations Section of our report.

## Audit Appeal Rights

If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

## Records

Please note the ETP Agreement, Paragraph 5 a.1., requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or three (3) years from the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later."

Charles Rufo  
Audit Director

Fieldwork Completion Date: February 8, 2008

# SCHEDULE 1 – Summary of Audit Results

**GOTRAIN, INC.**  
AGREEMENT NO. ET06-0117  
FOR THE PERIOD  
JULY 6, 2005 THROUGH JULY 5, 2007

	<u>Amount</u>	<u>Reference*</u>
Training Costs Invoiced By GoTrain, Inc.	<u>\$ 762,447.00</u>	
Less: Suspend Payment Issued For Overpayment Owed on ET04-0530	<u>\$ (43,322.75)</u>	
Training Costs Paid by ETP	\$ 719,124.25	
Disallowed Costs:		
Unsupported Class/Lab Training Hours	\$ 211,668	Finding No. 1
Unsupported Class/Lab Training Hours And Training Conducted By A Subcontracted Trainer	\$ 188,232	Finding No. 2
Unsupported Class/Lab Hours, Training Attended Before Authorized Start Date, and Training Conducted By Multiple Subcontracted Trainers	\$ 362,547	Finding No. 3
Insufficient Trainer Payment Documentation and Other Funding Sources	0	Finding No. 4
Ineligible Trainee Occupations	0	Finding No. 5
Full-Time Employment Requirements Not Met And Ineligible Trainee	0	Finding No. 6
Ineligible Training Agreements With Participating Employers	0	Finding No. 7
Innacurate Reporting	<u>0</u>	Finding No. 8
Total Costs Disallowed	<u><u>\$ 762,447</u></u>	

\* See Findings and Recommendations Section.



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## FINDINGS AND RECOMMENDATIONS

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**FINDING NO. 1 –** GoTrain, Inc. (GoTrain) inappropriately claimed reimbursement of  
Unsupported \$211,668 from ETP through inaccurate submission of training data  
Class/Lab Training for 53 trainees. These trainees were placed with Employer Nos. 1,  
Hours 5, 8, and 10 (see Attachment D). Our conclusion is based on the  
review of the following information:

- Paycheck stubs and invoices provided by Trainer No. 9 (see Attachment E), a GoTrain Employee/Instructor who provided instruction to Employer Nos. 1, 5, 8, and 10;
- Employment Development Department (EDD) quarterly base wage information for Trainer No. 9;
- Trainer No. 9 confirmation of provided training hours and GoTrain's payments for training services;
- Testing and analysis of GoTrain's original training rosters, payroll transactions for Trainer No. 9, internal reports titled "GoTrain Course by Instructor", and "Class Info Ver1";
- Trainee and/or Employer Confirmations that support less training hours (per class session and in total) than GoTrain submitted to ETP;
- ETP Monitoring report dated February 20, 2007, documenting Action Items regarding GoTrain's Project Administration and Tracking; and
- Interviews with Trainer No. 9 and Contractor's Representative.

Since these 53 trainees did not meet ETP minimum training hour requirements, we disallow \$211,668 in training costs claimed for these trainees. Noncompliance with unsupported class/lab training hours was previously disclosed in our review of ETP Agreement No. ET04-0530.

The following criteria are applicable:

Paragraph 2. b. of the Agreement states, "Each trainee should complete 100% of the required class/lab and videoconference training hours. The Panel will not reimburse the Contractor for a trainee who does not complete a minimum 80% of the required class/lab and videoconference training..." Trainees placed in Job Nos. 2 and 4 requires 200 training hours; while Job No. 6 trainees allow for a range of hours, 100-hour minimum and 200- hour maximum.

## FINDINGS AND RECOMMENDATIONS (continued)

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1. Paragraph 2. d. of the Agreement states, "Contractor shall submit invoices and necessary statistical data to ETP in a form and manner prescribed by ETP..."
2. Paragraph 5. a.1. of the Agreement states, "Contractor shall ensure that ETP... has the right during normal business hours to (1) examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor, including any subcontract..."
3. Paragraph 5. f. of the Agreement states, "Training and the employment retention period for each trainee must be completed within the term of the Agreement. The term of this Agreement may not exceed 24 months after the Effective Date of this Agreement." The last eligible date for ETP-funded training was April 4, 2007.
4. Title 22 California Code of Regulations (CCR), Section 4442 requires Contractors to provide, as proof training was delivered, records that clearly document all aspects of training. Classroom/laboratory training records must include hours of attendance and dates of training, be certified daily with an instructor signature, and signed and/or initialed daily by the trainee.

### Audit Sample

For our review of training hours submitted by GoTrain, we initially randomly selected 19 trainees in Job Nos. 2 (1 trainee), 4 (9 trainees), and 6 (9 trainees) from the 189 trainees placed. We increased our random audit sample to include a representative sample from each of the 13 participating employers (Attachment D) based on several risk factors: 1) prior audit findings on GoTrain's ET04-0530 Agreement; 2) management control weaknesses; 3) multiple action items in monitoring reports; and 4) significant potential problem areas with initial random sample. The following table displays the number of trainees ETP reimbursed, trainees audited, number of trainees disallowed, and costs disallowed for the audited trainees by employer (see next page). Appendix 1, 2, and 3, lists 89 trainees, representing each participating employer, who were mailed questionnaires to confirm the Contractors reported information.

## FINDINGS AND RECOMMENDATIONS (continued)

Employer No.	Trainees Placed	Trainee Sample Audited	Costs Audited	Trainees Disallowed	Sample Error Rate	Costs Disallowed
<b>AUDIT FINDING NO. 1</b>						
1	10	7	\$19,460	7	100.0%	\$27,800
5	13	8	\$34,138	8	100.0%	\$55,528
8	15	7	\$29,946	7	100.0%	\$64,170
10	15	6	\$25,668	6	100.0%	\$64,170
<b>Sub-total</b>	53	28	\$109,212	28		\$211,668
<b>AUDIT FINDING NO. 2</b>						
2	11	6	\$25,668	6	100.0%	\$47,058
3	11	7	\$29,946	7	100.0%	\$47,058
7	6	4	\$17,112	4	100.0%	\$25,668
11	13	7	\$29,946	7	100.0%	\$55,614
12	3	3	\$12,834	3	100.0%	\$12,834
<b>Sub-total</b>	44	27	\$115,506	27		\$188,232
<b>AUDIT FINDING NO. 3</b>						
4	36	12	\$57,318	12	100.0%	\$124,348
6	39	12	\$50,823	12	100.0%	\$165,473
9	10	6	\$25,668	6	100.0%	\$42,780
13	7	4	\$17,112	4	100.0%	\$29,946
<b>Sub-total</b>	92	34	\$150,921	34		\$362,547
<b>Total</b>	189	89	\$375,639	89	100.0%	\$762,447

Additionally, on December 3, 2007, among other documents, we requested from GoTrain all payroll records (e.g. timecards, paystubs, and invoices) for Trainer No. 9 who provided instruction to Employer Nos. 1, 5, 8, and 10. GoTrain's representative stated he did not maintain these types of records but was able to provide an internal "All Transaction" report that only reflected the net amount paid for instruction services during the Agreement term. GoTrain's representative stated Trainer No. 9 earned between \$20 to \$25 per hour.

On December 3, 2007, regarding GoTrain's process of documenting ETP-funded training, the Contractor's Representative stated that "I left the training rosters with the company to have them sign the rosters. We [occasionally] gave them a PDF roster to print out and then they would have the trainees sign them. After the training [occurred], we would then hand-write the date and hours. Trainees would not see this information completed on the roster [heading – date, hours, course topic, etc.]..." GoTrain's representative explained that he would find several issues with rosters if employers filled out the training information, thus GoTrain completed the roster heading information after-the-fact. On December 5, 2007, the Contractor's representative recanted his

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## FINDINGS AND RECOMMENDATIONS (continued)

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earlier explanation by stating “I made an erroneous statement [from December 3, 2007], I filled in all the rosters before giving the roster to the employer. They would have been completed in full [training rosters] before trainers and trainees signed them.”

We believe the lack of adequate supporting documentation regarding GoTrain's primary trainer and the training documentation processes utilized for this Agreement indicates a weak management control environment. This is consistent with training documentation irregularities found between the original training rosters; GoTrain internal summary reports; and trainee, trainer, and employer confirmations of training received and delivered.

### Confirmation of Training Performed by Trainer No. 9

On January 16, 2008, Trainer No. 9 had confirmed instruction of only 181 of the 1,256 trainer hours reported on GoTrain's trainer summaries (“Class Info Ver 1”, dated June 27, 2007) and original training rosters for Employer Nos. 1, 5, 8, and 10. As only 14% (181 hours/1,256 trainer hours reported) of the training delivery was accounted for, we requested invoices, and payroll stubs/checks, which documented the hourly rate and instructional hours provided by Trainer No. 9 during the Agreement term. Paycheck stubs and invoices for all payments made from 2005 through 2007 by GoTrain to Trainer No. 9 were submitted by the trainer to ETP during January 2008. We noted Trainer No. 9 was reimbursed \$50 per hour, which contradicted the Contractor Representative's earlier statement. Based on a review of this trainer documentation along with original training rosters provided by GoTrain, it's apparent that training rosters were manipulated (or in some cases created) to inflate the amount of training that actually occurred. This is further evidenced by employers who received instruction from Trainer No. 9 (see below). Please review Appendix 1 for an evaluation of the hours reported by GoTrain, training rosters, trainee and/or employer confirmations and trainer invoices and payroll).

### Employer No. 1 – Acorn Engineering Company

Go Train submitted invoices to ETP that 10 trainees attended 200 hours of training during July 6, 2005, through October 12, 2005. Review of GoTrain training rosters indicated that training occurred from July 6, 2005, through November 4, 2005, in topics including Microsoft Office (Word, Excel, and Outlook). Training was typically shown as 20 eight-hour, and 10 four-hour sessions on separate training dates. The training rosters and GoTrain internal summaries show that Trainer No. 9 was the sole instructor for 100 percent of reported training hours and each of the 10 trainees

## FINDINGS AND RECOMMENDATIONS (continued)

attended the same training sessions. However, payroll stubs, invoices, trainer verification confirmation, EDD base wage information, and GoTrain pay summaries only support 60 hours of training was delivered and reimbursed by GoTrain. Thus, allowable training hours support less than 80% of the required classroom training hours for Job No. 2.

Date of Paycheck	Training Hours Paid by GoTrain	Hourly Rate	Gross Pay Per Paystub & Reported to EDD	Net Pay Per Paystub & Reported by GoTrain
9/21/2005	28	\$50.00	\$1,400.00	\$1,113.18
11/8/2005	32	\$50.00	\$1,600.00	\$1,259.28
Total	60		\$3,000.00	\$2,372.46

### Employer No. 5 – French West Inc., dba HaleBob (HaleBob)

GoTrain submitted invoices to ETP that 11 trainees attended 200 hours and 2 trainees attended 198 hours of training during February 8, 2007, through April 5, 2007. Review of GoTrain training rosters indicated that training occurred on the dates invoiced in topics including Microsoft Excel – Beginning (Basics), Intermediate, and Lab. Training was typically shown as 21 eight-hour, 7 four-hour, and 2 two-hour sessions on separate training dates. The training rosters and GoTrain internal summaries show that Trainer No. 9 was the sole instructor for 100 percent of reported training hours.

The ETP Monitoring report dated February 20, 2007, described trainee interviews of HaleBob employees conducted on February 15, 2007, which revealed training was two hours per week and the report stated “based on that calculation, these trainees will only receive 20 of the 100 minimum training hours required for reimbursement prior to the last day to train to allow for the 90-day retention period to fall within the term of the Agreement.” The last eligible date for ETP-funded training was April 4, 2007. Contractor’s representative stated he was “...discussing additional training with the participating employer...”

Regarding the training of HaleBob, we forwarded scanned original training rosters (documenting 8 hours of training per day from 8:00 a.m. to 5:00 p.m.) to Trainer No. 9 for review and comment. Trainer No. 9 stated “[the HaleBob representative] never wanted her employees to miss more than 2 hours of work a day. So typically what would happen is, I would go down to the site, and conduct 2 classes, each 2 hours for 2 different sets of students. On

## FINDINGS AND RECOMMENDATIONS (continued)

the roster I would write in 8:30 – 10:30 am for the first class and 10:45 – 12:45 pm for the second class. The times on the rosters have been altered. White-out has been used... I never worked an 8 hour day there.” Payroll stubs, invoices, EDD base wage, and GoTrain pay summaries support only 24 hours of allowable training was delivered by Trainer No. 9 during February 8, 2007, through March 29, 2007. Training invoices show training was 2 hours for two separate sessions/per week. Although 40 additional training hours were supported, as shown in the table below, they are not allowable since they occurred (April 5, 2007, through July 18, 2007) after the last eligible date of training. Thus, allowable training hours support less than the 100 minimum required classroom training hours for Job No. 6.

Range of Training Dates Per Invoice	Training Hours Invoiced	Hourly Rate	Invoice Amount	Amount Paid By GoTrain	Date Paid
<b>ELIGIBLE TRAINING</b>					
2/8/07 - 3/29/07	24	\$50.00	\$1,200.00	\$1,200.00	4/20/07
<b>INELIGIBLE TRAINING</b>					
4/5/07 - 4/26/07	14	\$50.00	\$700.00	\$0.00	
5/10/07 - 5/31/07	12	\$50.00	\$600.00	\$0.00	
6/7/07 - 7/18/07	14	\$50.00	\$700.00	\$0.00	
Total	40		\$2,000.00	\$0.00	

### Employer No. 8 – Mo Industries, Inc., dba Ella Moss

Go Train submitted invoices to ETP that 14 trainees attended 8 hours and 1 trainee attended 16 hours of training during February 21, 2006, through June 12, 2006 [Note: each of the 15 trainees were processed by ETP as completing 200 hours]. Review of GoTrain training rosters indicated that 200 training hours occurred from March 1, 2006, through July 8, 2006 in topics including Microsoft Office – Basic and Intermediate Excel. Training was shown as 25 eight-hour sessions on separate training dates for all trainees. No training rosters were on hand for Trainee Nos. 135 and 139. The training rosters and GoTrain internal summaries show that Trainer No. 9 was the sole instructor for 100 percent of reported training hours. However, payroll stubs, invoices, trainer verification confirmation, EDD base wage information, and GoTrain pay summaries only support 57 hours of training (19 three-hour sessions) was delivered by Trainer No. 9 to Employer No. 8 (see table next page). Thus, allowable training hours support less than

## FINDINGS AND RECOMMENDATIONS (continued)

80% of the required classroom training hours for Job No. 4.

Date of Paycheck	Training Hours Paid by GoTrain*	Hourly Rate	Gross Pay Per Paystub & Reported to EDD	Net Pay Per Paystub & Reported by GoTrain
8/7/2006	60	\$50.00	\$3,000.00	\$2,234.40
* = Detailed invoices show 57 hours of training provided by Trainer No. 9 to Employer No. 8. Trainer also provided additional services ("New PC Configuration & Orientation") of 3 hours to Employer No. 8 which were not eligible for ETP funding.				

Please see Finding No. 4 for further explanation of training reported as provided to Employer No. 8, which overlapped training dates with federal Workforce Investment Act (WIA) funding.

### Employer No. 10 – Roberto Martinez, Inc.

Go Train submitted invoices to ETP that 15 trainees attended 200 hours of training during July 7, 2005, through November 23, 2005 [Note: 8 of the 15 trainees were also placed for 200 training hours on GoTrain, ET04-0530]. Review of GoTrain training rosters indicated 200 training hours occurred from July 11, 2005, through September 13, 2005 in Microsoft Navision II and Microsoft Office. Training was shown as 25 eight-hour sessions on separate training dates for all trainees. There were material total training hour discrepancies for Trainee Nos. 154 (8 hours), 155 (8 hours), 159 (0 hours), and 163 (96 hours), as these trainees had training rosters supporting less than 80% of the required classroom training hours.

The training rosters and GoTrain internal summaries show that Trainer No. 9 was the sole instructor for 112 of the 200 hours invoiced (56%) with 104 hours in "Microsoft Office" and 8 hours in "Navision II". The remaining training was subcontracted (Trainer No. 4, from Western Computer, see Finding No. 3, was shown as instructing 88 hours and Trainer No. 7, from Business Computing Systems, Inc., see Finding No. 2, was shown as instructing 8 hours).

However, payroll stubs, invoices, trainer verification confirmation, EDD base wage information, and GoTrain pay summaries show that in fact, no training was ever paid by GoTrain for Trainer No. 9 to train employees of Roberto Martinez, Inc. Trainer No. 9 stated "...I have never trained in Navision. The Roberto Martinez training got delayed, and then it just never happened." Additionally, further

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## FINDINGS AND RECOMMENDATIONS (continued)

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discrepancies on GoTrain rosters show Trainer No. 9 as the trainer of record on September 6 and 8, 2005, for both Employer Nos. 1 and 10 for separate 8 hour classes from 8:00 a.m. to 5:00 p.m. in Microsoft Word and Microsoft Navision, respectively. Thus, allowable training hours support less than 80% of the required classroom training hours for Job No. 4.

Recommendation GoTrain, Inc. must return \$211,668 to ETP. All training hours reported to ETP for reimbursement must be an accurate representation of actual training provided. The Contractor should enact sufficient management controls regarding training records to facilitate the accurate recording of training data and initiate a system of verification to ensure that training hours reported to ETP for reimbursement are accurate.



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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 1 –** On February 25, 2008, ETP received the Contractor's response (6- Contractor's Response and Auditor's Comments Please refer to Attachment A for the complete response.

The Contractor's response contains specific comments relevant to the audit findings and general comments relevant to the audit process. Our comments below address the Contractor's finding-specific comments in Part A and the general comments in Part B.

### A. CONTRACTOR'S FINDING-SPECIFIC COMMENTS

#### Contractor's Response

1. GoTrain states they "...maintained an eLearning platform. This facility allowed us to deliver live online labs as part of the class/lab ETP training requirement. Labs consisted for example in the case of Instructor #9: direct lecture (2) hrs and then lab work with an available lab instructor's input live online; the classrooms were open for the duration.

The fiscal margin in this case, was that we paid the instructor for the 2 hrs. but didn't pay for the 6 hours lab assistance where the lab assistant was essentially "standing by" and maybe not participating even though students in the lab were working as they have pledged they have done. In the case of Lecturer 9 we were overpaying him for the classroom portion of the class/lab format and so did not pay him for the lab supervision..."

2. GoTrain included a screen shot of a reported live training "Session Set-up for French West dba. Hale Bob from 3/2/2007" in Excel delivered by Trainer No. 9 to Employer No. 5.
3. GoTrain states, for Employer No. 10 "Roberto Martinez: Regarding the training at this client we must have miss-reported the course subject as it was Microsoft Office Labs."

#### Auditor's Comments

1. We strongly disagree with these comments. GoTrain submitted invoices indicating that trainees received total class/lab training hours that met Agreement requirements. The Contractor's response confirms that only 2 hours of training was from a direct lecture (i.e. classroom training); while 6 hours of lab assistance was made available to trainees. Exhibit A, page 3 of 10, VI. D. 2. & 3. includes the following training definitions for laboratory and technology-

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## FINDINGS AND RECOMMENDATIONS (continued)

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based distance training:

2. Laboratory training is "hands-on" instruction or skill acquisition conducted in a non-productive environment, or simulated work setting, under the direct training of a laboratory trainer that may require the use of specialized equipment or facilities by the trainee. The trainer's time during laboratory training must be dedicated exclusively to the instruction of trainees.

During laboratory training hours, trainees cannot produce products or provide services which will ultimately be sold...

3. Technology-based distance training is instruction provided through videoconference and/or computer-based training (CBT). This training should be provided in conjunction with class/lab instruction:

Videoconference training is live, interactive instruction provided by a trainer through a video communications session between 2 or more locations...

All laboratory training as described by the Contractor was not eligible for ETP funding. Based on GoTrain's own recollection of the 6-hours of "training", the lab assistant's time was neither "dedicated exclusively to the instruction of trainees" or "live, interactive instruction" but was instead on standby to answer questions for those who reportedly remained after the live classroom session was completed. The admission that Trainer No. 9 was not reimbursed for any of the 6-hour lab supervision further supports that the training did not occur as documented on training rosters.

On February 27, 2008, we confirmed with Trainer No. 9 that he did not oversee any lab training for Employer Nos. 1, 5, 8, and 10. As stated above, GoTrain original training rosters and internal summaries show Trainer No. 9 as the sole trainer on 100 percent of training rosters for Employer Nos. 1, 5, and 8; while he represented 112 of the 200 hours invoiced for Employer No. 10. Trainer No. 9 stated he typically conducted a 2-hour instructor led training session to a group of employees and upon completion the trainer and employees left the classroom. At times, Trainer No. 9 would conduct a second training session [typically 2 hours] to a new and separate group of employees at a different level [intermediate or advanced] and upon completion the trainer

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## FINDINGS AND RECOMMENDATIONS (continued)

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and employees also left the classroom. Since the allowable training hours fall below the requirements for Job Nos. 2, 4, and 6, we continue to disallow the 53 trainees in this finding.

2. Invoices and pay stubs submitted by Trainer No. 9 show no instruction or training was provided to employees of HaleBob (Employer No. 5) on March 2, 2007, as shown in the response. Additionally, training rosters provided by GoTrain for March 2, 2007, show three unique training rosters at 8 hours per day in different course topics to three sets of trainees - "MS Office Basics", "MS Office Intermediate", and "Computer Training – MS Excel". Thus, the screen shot further validates that the training reported by GoTrain is not supported by either Trainer No. 9's documents or the training rosters themselves.
3. This comment does not dispute the factual accuracy of the finding nor does it explain the primary concern that none of the training reported by GoTrain as conducted by Trainer No. 9 at Roberto Martinez, Inc. ever occurred.

### B. CONTRACTOR'S GENERAL COMMENTS

#### Contractor's Response

1. The Contractor states, "It was the habit of management at the North Hollywood office for the manager to halve the funding requests... With the approved amendment – in this contract – with different program requirements, we were in effect managing two contracts at the same time... Rules are easy to follow but when allowances are not considered when rules are designed, compliance becomes difficult."
2. The Contractor states, "Several contracting companies reported of [the auditor's] interrogation style 'interviews' where it was reported that he would tell clients who confirmed training hours as reported by us, that 'He did not believe them'."
3. The Contractor states, "Companies that confirm the training data as reported by us, are thrown out of the sample and where companies relent to the pressure of a lack of documented evidence and then give reports based on vague memory, their statements are used to deny us any reimbursement."

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## FINDINGS AND RECOMMENDATIONS (continued)

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4. The Contractor states, “[Trainer No. 9] is an example of precisely the issues faced by trade schools when contracting with instructors: Find an individual who is competent, an expert in what they are going to teach, and also is not employed and will remain available for intermittent training assignments. [Trainer No. 9] is a disgruntled employee with a balance of wages owed to him that we cannot pay as a result of this administrative process [Suspend Payment] that was begun in April/May 2007.”

### Auditor's Comments

1. GoTrain does not dispute the factual accuracy of the audit finding. Negotiation of the contract terms, and amendments are a part of the development and monitoring processes. The Agreement is the legal document which identifies compliance requirements. Exhibit A, Chart 1 summary, pages 5 through 10, identify that trainees placed in Job Nos. 2 and 4 require 200 training hours; while Job No. 6 trainees allow for a range of hours, with a 100-hour minimum and 200-hour maximum. We do not conclude from the training records that training was not provided; rather, we conclude that from the evidence reviewed (trainer pay stubs, training invoices, confirmations from trainees and employers, and training records), it does not support that sufficient training was provided to meet the minimum training hour requirements for the Agreement.
2. We disagree with these comments. *Government Auditing Standards*, Paragraph A7.02 states, “...Testimonial evidence is obtained through inquiries, interviews, focus groups, public forums, or questionnaires... The strength and weakness of each form of evidence depends on the facts and circumstances associated with the evidence and professional judgment in the context of the audit objectives.” Interviews were conducted with trainees and/or employer representatives to determine whether the training records, trainee and employer responses, and trainer confirmations were an accurate representation of actual training events.
3. The results of all trainee and employer responses are included in the Appendices. As stated above, we received payroll stubs, training invoices, and confirmation of hours delivered from Trainer No. 9. The total amounts shown on payroll stubs, agreed with EDD base wage information and GoTrain pay summaries. Review of these documents supported the delivery of 24 total training hours to trainees

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## FINDINGS AND RECOMMENDATIONS (continued)

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placed with Employer No. 5. Based on the employer confirmation received from Employer No. 5, which identified completion of 194 to 200 training hours for 8 trainees, Auditor concluded that additional follow-up would be required.

During an interview with the company's Executive Vice President on January 18, 2008, the Auditor discovered that although she signed the employer response, she did not know the source of the training hours identified. Furthermore, she mentioned that GoTrain classes were for two different groups and lasted 2 hours in length, which agreed with the contract monitor's observation of training (ETP Monitoring report dated February 20, 2007) and documents provided by Trainer No. 9. Therefore, the Auditor offered to resend trainee questionnaires that were based on actual recollections from the trainees; no further response was received by ETP.

4. GoTrain does not dispute the factual accuracy of the documents submitted by Trainer No. 9. *Government Auditing Standards*, Paragraph 7.55 states, "...Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions." Trainer No. 9 submitted detailed invoices and payroll documents that were supported by GoTrain payroll summaries and EDD base wages reports. Additionally, trainee and employer confirmations consistently supported that actual training was substantially less for both daily and total training hours reported by GoTrain.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 2 –**  
Unsupported  
Class/Lab Training  
Hours And  
Training  
Conducted By An  
Unauthorized  
Subcontractor

GoTrain inappropriately claimed reimbursement of \$188,232 from ETP through inaccurate submission of training data for 44 trainees placed in Job No. 4 who were trained by a subcontractor, Business Computing Systems, Inc. (BCS). These trainees were placed with Employer Nos. 2, 3, 7, 11, and 12 (see Attachment D). Our conclusion is based on the review of the following information:

- Testing and analysis of GoTrain's original training rosters, and internal reports titled "GoTrain Course by Instructor", and "Class Info Ver1";
- Trainee and/or Employer Confirmations that support less training hours reimbursed by ETP for Employer No. 3; and
- Interviews and/or correspondence with Trainer No. 7, and Trainee Nos. 19, 29, 124, 179, and 180 who were placed with Employer Nos. 2, 3, 7, 11, and 12, respectively.

The following criteria are applicable (Please see Criteria Nos. 1 and 2 in Finding No. 1, which are also applicable):

1. Title 22 California Code of Regulations, Section 4426 which states in part that "When the training agency is contracting with the Panel to provide training, it must directly provide the training and may only subcontract training that is ancillary to the primary training specified in the Panel contract... a training agency may act as the training administrative contractor, performing only the function of administering the contract..." However, any entity with which a training agency subcontracts must be a local educational agency (i.e. a school district).
2. Paragraph 3c, page 3 of the Agreement states in part "The Contractor shall have in place subagreements signed by both the Contractor and subcontractors for any work to be performed under this Agreement prior to the effective date of the subagreement. The Contractor shall notify ETP in writing of any such subagreement for work prior to the commencement of the term of the subagreement... No work under this agreement which is to be performed by a subcontractor may commence until ETP has been notified as required herein."
3. Paragraph 5. g. of the Agreement states, "The ETP 130 Memorandum [dated June 24, 2005] submitted to the Panel in connection with this Agreement is hereby incorporated into the Agreement in its entirety..."

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## FINDINGS AND RECOMMENDATIONS (continued)

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### ETP130 Panel Memorandum

GoTrain was determined as eligible to contract with ETP as a private for-profit training agency, as an institution approved and certified by the Council for Private Postsecondary and Vocational Education (Council). According to the ETP 130 Panel Memorandum GoTrain was "...to provide supplemental training to employers facing out-of-state competition, whose workers need Continuous Improvement, Computer Skills, Business Skills, and Manufacturing Skills." During development of this contract, the ETP Development Analyst requested that GoTrain provide instructor certifications (from the Council) for the trainers included in this Agreement. On May 27, 2005, GoTrain's representative provided ETP with three instructor certificates and stated "I am awaiting 4 others [certifications] at present." The instructor certificates included Trainer Nos. 1 (Contractor Representative) and 9, and a trainer who did not appear on any training rosters provided by GoTrain. No other instructor certificates were submitted by GoTrain during the course of the Agreement.

### ETP Start-Up Monitoring Report

The ETP Start-Up Meeting report with GoTrain dated July 18, 2005, confirmed that "You do not plan to subcontract for any services under this Agreement; however, you were advised that in the event that you wish to add subcontractors, you must enter the subcontractor information on the Subcontractor Information List (ETP100D) available on the Internet. Additionally, you were advised that the executed subagreement must be completed and signed with copies being submitted to ETP." No subcontractor information was ever submitted via the ETP100D or otherwise to ETP during the course of this Agreement.

### Subcontracted Training by BCS

On December 3, 2007, the Contractor Representative explained that GoTrain did not initiate contact with Employer Nos. 2, 3, 7, 11, and 12, but instead was notified about these employers through BCS. We requested the following documents from GoTrain: 1) a completed subagreement and/or statement of work between GoTrain and BCS; 2) purchase orders and/or invoices between the companies; and 3) employer assessment regarding customization of training. The Contractor's Representative claimed these types of documents did not exist and that since these services were paid to an individual (contract laborer) GoTrain was not required to produce a subagreement. However, GoTrain's "Transaction List by Vendor" supports that payments were made directly to BCS, who is

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## FINDINGS AND RECOMMENDATIONS (continued)

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not a local educational agency.

On February 4, 2008, we spoke with the owner/operator of BCS (Trainer No. 7). He confirmed that each of the employers in this finding were customers of BCS who purchased a software package that included training. Trainer No. 7 stated that the customer could either pay BCS and/or receive training paid by the State through GoTrain. These statements from BCS contradict the ETP 130 Panel Memo in which GoTrain stated "Participating employers have indicated that training will supplement any existing programs they might have. Most of the companies have neither the internal technical expertise nor the monetary resources to provide the training offered in this proposal."

Additionally, this trainer stated that he had signed what he described as a "confidentiality agreement" with GoTrain to subcontract training. The trainer stated that GoTrain "issued us a purchase order and then we trained... then we sent invoice and got paid." We had requested copies of purchase orders, invoices, and checks paid to BCS by GoTrain but as of the date of this report, they were not provided.

In addition to noncompliance with training agency requirements (training provided by BCS), as with Finding No. 1, the training hours invoiced by GoTrain are not corroborated by training rosters that represent actual training completed, and disagree with the funding request described in the ETP Panel Memorandum, which is further described below for Employer Nos. 2, 3, 7, 11, and 12.

### Employer No. 2 – Avis Roto Die, Inc.

Go Train submitted invoices to ETP that 10 trainees attended 184 hours and 1 trainee attended 180 hours of training during July 6, 2005, through August 31, 2005. Each of the 11 trainees was placed in the prior GoTrain Agreement ET04-0530 with a reported 200 training hours. During the prior audit of ET04-0530, we had received employer confirmations for 5 of 11 trainees which stated they had only received 40 of the reported 200 hours of training. During this audit, we received trainee and employer confirmations regarding training hours from 3 of the 6 trainees sampled. Each of the confirmations only supported 12 to 16 training hours completed, as shown in Appendix 2, which is below the 160 hours required for Job No. 4.

Our review of the original training rosters showed several material deficiencies. Only one roster (4 trainees with 8 hours of training) on July 7, 2005, included the required training information (training



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## FINDINGS AND RECOMMENDATIONS (continued)

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date, training hours, course topic, and trainee and trainer signature). There were a total of 7 other rosters reviewed that were incomplete; 6 of these 7 rosters did not include a trainer signature, course topic, and class/lab hours. Thus, only 4 trainees supported 8 hours of training and the remaining 7 trainees do not support any eligible training hours. Thus, allowable training hours support less than 80% of the required classroom training hours for Job No. 4.

On February 4, 2008, we spoke with Trainee No. 19, who is currently the Human Resources Manager for Employer No. 2. GoTrain had reported she received 184 training hours in Navision II and Solidworks. Trainee No. 19 stated that she did not attend 184 hours of training, and she personally never attended any Solidworks training as it is a manufacturing related software program and is not used in her job functions. She stated that she only recalled attending a very small amount of training in 2005, approximately 8 hours. She questioned how GoTrain had reported that she had completed 184 hours of training in 2005.

### Employer No. 3 – Bez Ambar, Inc

Go Train submitted invoices to ETP that 11 trainees attended 180 hours of training during July 12, 2005, through November 23, 2005. Review of GoTrain training rosters indicated that training occurred from July 12, 2005, through September 13, 2005, for 152 hours in Microsoft Navision I (training roster dated July 21, 2005 was missing). Training included 19 eight-hour sessions on separate training dates for all trainees. We received trainee and employer confirmations from 5 of the 7 trainees sampled. Each of the confirmations only supported 30 to 50 training hours completed, as shown in Appendix 2, which is below the 160 hours required for Job No. 4.

On February 4, 2008, Trainee No. 29, a part-owner of Employer No. 3, stated that the company purchased its Navision software from BCS. He stated Trainer No. 7 sold him the product and told him about training available from the State as part of the software purchase. Then, he stated, after he bought the product, GoTrain's representative delivered free laptop computers. Trainee No. 29 stated that he did not recall receiving 180 hours of training as reported by GoTrain. He stated he was only in and out of training sessions because he doesn't personally do that type of work. He stated he was never in training for more than 2 hours.

Additionally, some irregularities were noted with at least 15 of the 20 original training rosters for the 11 trainees from July 14, 2005, through September 1, 2005, which totaled 120 training hours.

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## FINDINGS AND RECOMMENDATIONS (continued)

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Trainees and the trainer signed with various ink-colored pens on a daily basis, but each of the 11 trainees signed with the same colored pen over a 6-week training period. The training rosters include no pre-printed course information, such as dates, times, training topic, or hours, although the trainee names were all pre-printed. The Contractor's representative confirmed on December 5, 2007, that he filled-out the training date, start and end time, course topic, class/lab hours himself [it's unclear whether this course information was completed by the Contractor representative prior to or after the training rosters were signed by the trainees and trainer]. See related comments regarding repetitive signing of daily rosters after the actual training occurred in Finding No. 3 (Biofilm, Inc. – Trainee No. 57 and Golden State Phone and Wireless – Trainee No. 82).

### Employer No. 7 – Karoun Dairies, Inc.

GoTrain submitted invoices to ETP that 5 trainees attended 180 hours and 1 trainee attended 200 hours of training during July 18, 2005, through November 15, 2005. Review of GoTrain training rosters indicated that training occurred from July 11, 2005, through August 26, 2005 for 200 hours in Microsoft Navision. Training was typically shown as 25 eight-hour sessions on separate training dates (a total of two weeks consisted of Monday through Friday, 8 hours per day). We received trainee and employer confirmations from 4 of the 6 placed trainees. Each of the confirmations showed "0" training hours was completed.

On February 1, 2008, ETP received a letter from Trainee No. 124, the Vice-President of Finance for Employer No. 7, stating "When we first agreed to purchase 'Navision' we heard about the training program funded by the state. But unfortunately, we didn't have enough information to know what exactly we were entitled to in terms of benefit. We spend considerable amount of money for training on 7 employees (each averaging about 200 hours) but all we got or benefited was 5 Dell laptops [Note: 7 trainees were shown on all training rosters provided by GoTrain but only 5 trainees were placed in this Agreement]. I have not received any discount from my Software supplier (Business Computing Inc.) nor from GoTrain, Inc. I think it is important for you to know that this was the outcome of our training from Navision. We did not see any financial credit or reimbursement for the money that we have spent on training from our pocket. And we spent thousands of dollars on training. All we heard from [Contractor Representative] was that we weren't a lot of trainees and therefore the state was not funding anything other than 5 Dell Laptops."

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## FINDINGS AND RECOMMENDATIONS (continued)

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Trainee No. 124 provided further information in a phone conversation on February 5, 2008. He stated that Trainer No. 7 told him he would get credit for the training when he purchased the Navision system, but he said this was done verbally and not included in the receipt of purchase from BCS. He said he later received a call from the representative of GoTrain. Trainee No. 124 confirmed verbally that all the training he received from BCS was training his company paid for as part of his purchase. Furthermore, he stated that Trainer No. 7 told him that he didn't get a credit back from the State because BCS didn't get paid from GoTrain for Employer No. 7. Thus, the training documented by GoTrain was not supplemental for this employer and ineligible for ETP-funding as the training was already paid for in the employer's purchase of the Navision software.

### Employer No. 11 – Simon G. Jewelry, Inc.

GoTrain submitted invoices to ETP that 13 trainees attended 180 hours of training during July 8, 2005, through November 17, 2005. Eight of the 13 trainees were also placed in the prior GoTrain Agreement ET04-0530 with a reported 200 training hours. We did not receive a trainee or employer confirmation from those sent to 7 of 13 trainees placed in this Agreement. Review of GoTrain training rosters indicated that training occurred from July 8, 2005, through September 2, 2005, totaling 176 hours for 10 of the 13 trainees. For Trainee Nos. 170-172, the original training rosters show they only appeared on one roster dated September 2, 2005, for 8 hours. Also, Trainee No. 179 signed as a trainee on 43 separate 8-hour training sessions for a total of 344 training hours [this trainee was also placed on ET04-0530 with 200 training hours].

On February 4, 2008, Trainee No. 179, IT Manager, stated that her company bought Navision from BCS (Trainer No. 7) in 2004. She said that initially they were told they would only need 50 hours of training which was paid for in the purchase contract, but they actually needed hundreds of hours. She was going to BCS all the time with questions. She stated all the Navision training was conducted at BCS and not done on-site. BCS was charging \$150 per hour for additional training. When she complained to BCS, she was told about GoTrain.

### Employer No. 12 – Spartak Enterprises, Inc.

GoTrain submitted invoices to ETP that 3 trainees received 180 hours of training during July 11, 2005, through August 24, 2005. Review of GoTrain training rosters indicated that each trainee

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## FINDINGS AND RECOMMENDATIONS (continued)

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received 192 hours in Microsoft Navision. Training was shown as 24 eight-hour sessions on separate training dates for each trainee. We did not receive any trainee or employer confirmations for the 3 placed trainees.

On January 1, 2008, Trainee No. 180, President, stated his company bought a Navision package from BCS (Trainer No. 7) and then received a \$4,500 credit from BCS because GoTrain paid BCS for training with State funds. As with Employer No. 7, training was already included in the employer's purchase of the Navision package from BCS. According to Trainee No. 180, since GoTrain was able to obtain State funds through ETP, Spartak Enterprises, Inc. received a "credit" back for their cost of training. Thus, the training documented by GoTrain was not supplemental for this employer and ineligible for ETP-funding as the training was already paid for in the employer's purchase of the Navision software.

**Recommendation** GoTrain, Inc. must return \$188,232 to ETP. The Contractor should enact sufficient management controls regarding training records to facilitate the accurate recording of data and initiate a system of verification to ensure that training hours reported to ETP for reimbursement are accurate. The Contractor should employ only post-secondary approved instructors to provide training and should not subcontract for training services. Contractor should notify ETP in writing of any planned subagreement prior to the commencement of the term of the subagreement so ETP staff can determine if subcontracted training would be eligible for reimbursement.

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## FINDINGS AND RECOMMENDATIONS (continued)

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### FINDING NO. 2 –

Contractor's  
Response and  
Auditor's  
Comments

### Contractor's Response

1. GoTrain states they were unable to pay contracted instructors as employees and that the trainers in this finding, three employees [Trainer Nos. 2, 3, and 7] of Business Computing Systems (BCS), were "...paid on our payroll in the previous year... they refused – after training had started – to submit to our internal payroll process for the duration of training."
2. GoTrain states "Training that companies planned to pay for themselves represented a very marginal amount of the classroom training cost that trainers from BCS demanded. The ETP funding was thus supplemental in all cases of this finding... we delivered supplemental training onsite [to Employer No. 11]..."
3. Regarding BCS, GoTrain states "...There were no purchase requests and subsequent invoices regarding this program... BCS requested these documents but we were unwilling to comply because of the implications should funding be disallowed or should training not be delivered."
4. GoTrain claims they paid BCS for training provided to Employer No. 7 and does not understand "...how my reimbursement is predicated on enforcing actions by BCS."
5. GoTrain states "Students did not consider under cross examination from [the auditor] that lab hours spent working on the ERP systems while they were not yet in production (live), under the supervision of a lab instructor, counted as lab time and counted to the total class/lab hours."

### Auditor's Comments

1. We continue to disallow the 44 Job No. 4 trainees included in this finding. We concluded from the evidence reviewed, that it does not support that the minimum training hour requirements for the Agreement were met. Additionally, Title 22 California Code of Regulations, Section 4426 requires a training agency to directly provide the training unless the training is ancillary. In cases where the training agency acts as the training administrative contractor to only administer the contract, the entity providing the training must be a local educational agency.

GoTrain, at the Monitoring start-up meeting, confirmed it

## FINDINGS AND RECOMMENDATIONS (continued)

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would not be subcontracting any training and did not submit any subcontractor information during the term of the Agreement. Business Computing Systems, Inc. was not a local educational agency, nor was GoTrain performing only the function of administering the contract.

Additionally, a review of all payroll documents and records ("All Transaction" report) submitted by GoTrain to ETP during this audit and the prior audit of Agreement No. ET04-0530 shows only Trainer No. 3 was on GoTrain's payroll. This contradicts the statement that Trainer Nos. 2, 3, and 7 were previously included on GoTrain's payroll.

2. Paragraph 9a, page 5 of the Agreement states in part "The ETP training shall be supplemental to that on-going training already provided by individual employers in the normal course of business..." Representatives from Employer Nos. 3, 7, 11, and 12 confirmed they purchased Navision software for their business use from BCS. Employer Nos. 7 and 12 confirmed that training provided by BCS was already included in their purchase of the Navision software; while the Vice President of Finance (Trainee No. 124) for Employer No. 7 stated all training received from BCS was training his company already paid for in its purchase price. Thus, ETP funds were not used for supplemental training but instead acted as a stipend between GoTrain and BCS, where participating employers would receive a "credit" back for the cost of training (Employer No. 12) and/or trainees would obtain laptops (Employer No. 7).
3. Title 22 California Code of Regulations (CCR), Section 4442, requires Contractors to maintain and make available applicable financial records which document funds received and disbursed. BCS confirmed that they obtained purchase orders from GoTrain for training services and issued invoices documenting amounts due for payment. GoTrain continues to deny that a total of \$19,700 in transactions from training reported during July 6, 2005, through November 23, 2005, between BCS and GoTrain occurred without any supporting documentation (e.g. payroll records, purchase orders, vendor invoices, canceled checks).
4. As stated above in Auditor Comments No. 2 - Employer No. 7 stated that all training provided by BCS was training the company paid for in its purchase of Navision. Since no supporting documentation was provided by GoTrain or BCS, ETP cannot determine whether GoTrain actually reimbursed

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## **FINDINGS AND RECOMMENDATIONS (continued)**

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BCS to provide training to Employer No. 7.

5. ETP Auditor conducted interviews on a voluntary basis with Trainee Nos. 19, 29, 124, 179, and 180 and all written confirmations were returned by trainees and employers. Trainees and employers were asked to provide the total number of hour spent in classroom and laboratory training. The total training hours reported in each of the 8 trainee and employer responses (12 to 50 hours) shown in Appendix 2 further validates that no trainee completed a minimum of 160 training hours to be eligible for ETP reimbursement in Job No. 4.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 3 –**  
Unsupported  
Class/Lab Hours,  
Training Attended  
Before Authorized  
Start Date, and  
Training  
Conducted By  
Multiple  
Subcontracted  
Trainers

GoTrain inappropriately claimed reimbursement of \$362,547 from ETP through inaccurate submission of training data for 92 trainees placed with Employer Nos. 4, 6, 9, and 13. The primary issues for disallowance include: 1) 36 trainees placed with Employer No. 6 was performed by a subcontractor, Business Systems Solutions; 2) 39 trainees placed with Employer No. 6 took place prior to the authorized training start date; 3) training hours reported for 17 trainees placed with Employer Nos. 9 and 13 were refuted by trainee and employer confirmations. Additionally, the amount of training reported as delivered to these employers is unsupported and/or all training was delivered by subcontractors. Thus, we disallowed \$362,547 in training costs claimed for these 92 trainees.

The following criteria is applicable (Please see Criteria Nos. 1 and 2 in Finding No. 1, and Criteria Nos. 1 through 3 in Finding No. 2, which are also applicable):

1. Chart 1 of the Agreement, as amended by Amendment No. 2, states “Phase 2 trainees shall not begin training prior to April 28, 2006”. Amendment No. 2 added \$494,102 to the Agreement for Phase 2 training in Job Nos. 5 and 6, as approved by the Panel on April 28, 2006.

As with Finding Nos. 1 and 2, the training hours invoiced by GoTrain are not corroborated by training rosters that represent actual training completed, and disagree with the funding request described in the ETP Panel Memorandum, which is further described below for Employer Nos. 4, 6, 9, and 13.

Employer No. 4 – Biofilm, Inc.

Go Train reported to ETP that 35 trainees attended 200 hours of training and 1 trainee attended 176 hours of training during September 4, 2006, through February 1, 2007. Review of GoTrain training rosters indicated that training occurred from September 5, 2006, through January 30, 2007, for up to 216 hours in Microsoft Navision. Training was typically shown as 25-27 eight-hour sessions on separate training dates. We received no trainee or employer confirmations from the 8 sample trainees, as shown in Appendix 2.

On February 5, 2008, Trainee No. 57, a Vice President of Finance, stated that the company purchased its Navision software from Radiant Technologies (Trainer No. 5) in May of 2006. She stated the initial cost of training paid for in that package was \$60,000; however, the company used that up and required more training. When Employer No. 4 complained about the cost of additional



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## FINDINGS AND RECOMMENDATIONS (continued)

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training, Trainer No. 5 brought in GoTrain and the training provided during that period was for no charge. However, Trainee No. 57 stated that the company is still training and is currently paying for those services. Trainee No. 9 stated that no rosters were available for signing during the initial stage of the training (approximately the first couple of months of training) funded by GoTrain, but later they were provided and they were signed after the sessions had occurred.

### Employer No. 6 – Golden State Phone and Wireless

Go Train reported to ETP that 32 trainees attended 200 hours of training, 6 trainees attended 192 hours of training, and 1 trainee attended 184 hours of training during October 10, 2005, through March 30, 2006. Review of GoTrain training rosters indicated that training for all 39 placed trainees occurred from October 10, 2005, through March 27, 2006 for up to 200 hours in Microsoft Navision. Thus, each of the 39 Phase 2 trainees attended 100% of training before the authorized training start date of April 28, 2006 [Panel Meeting date when this contract amendment was approved]. This contradicts Contractor's representative response to a Panel Member question on April 28, 2006, in which he stated "...all proposed trainees were new trainees...". All training hours attended prior to the authorized start date are unallowable.

Training was typically shown as 25 eight-hour sessions on separate training dates, per GoTrain records. We received employer confirmations from 12 sample trainees. Each of the confirmations only supported 32 to 192 training hours completed, as shown in Appendix 2. Additionally, hire dates by the employer reported for 8 of the 12 sample trainees showed that they were hired after their start of training dates shown on GoTrain rosters (6 of 8 hire dates were the same as reported by GoTrain and 2 of 8 were within 7 days). The table below shows the training hours and start of training per GoTrain rosters, training hours confirmed by the trainee and/or employer, hire date from the employer, and the number of days employed prior to the reported start of training.

## FINDINGS AND RECOMMENDATIONS (continued)

Trainee No.	Training Hours Per GoTrain Rosters	Training Hours Per Trainee and/or Employer	Start of Training Per GoTrain Rosters	Hire Date Per Employer	Days Employed Prior to Training
85	192	32	10/12/05	03/06/06	-145
89	192	48	10/12/05	01/20/06	-100
90	192	72	10/14/05	01/12/06	-90
93	192	96	10/12/05	01/09/06	-89
105	192	120	10/12/05	12/13/05	-62
106	192	88	10/12/05	01/18/06	-98
110	192	120	10/13/05	12/21/05	-69
112	192	128	10/13/05	12/15/05	-63

On February 5, 2008, Trainee No. 82, Navision Software Project Manager, stated that the company purchased its Navision software from Trainer No. 6 and his company Business Systems Solutions. The package included training but was a limited amount. More training was required and she stated that GoTrain's representative had contacted Trainer No. 6 and then became involved by paying trainer No. 6 for the training that they received during that period. Trainee No. 82 questioned why GoTrain had reported 8 trainees had started training before they were hired. She confirmed training was occurring during the training period reported by GoTrain, but the 8 trainees received only the number of hours she reported after they were hired.

Trainee No. 82 further explained that the training was all distance learning conducted live online with Trainer No. 7 since the company has up to 17 different locations throughout California. She stated the training sessions ran 8 hours per day, but many people were in and out of the sessions at various times running tests of various applications. Trainee No. 82 stated that for a long time period, at the beginning of training, they did not sign any rosters and that later during the training period (paid for by GoTrain), they were sent a large number of rosters for the period already trained, which they then needed to sign to get caught up. She stated that they did not really pay much attention to what they were signing and that could explain why some trainees signed training rosters dated well before their hire date.

### Employer No. 9 – Polycoat Products

GoTrain submitted invoices to ETP that 11 trainees attended 200 hours of training that ended on November 24, 2005. There was no

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## FINDINGS AND RECOMMENDATIONS (continued)

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start of training date reported for these trainees. Review of GoTrain training rosters indicated that training occurred from October 11, 2005, through November 24, 2005, for 168 hours in Sage ERP (training rosters dated October 20 and 24, 2005, were missing and a training roster for November 24, 2005, Thanksgiving Day was included). GoTrain reported that all the training was delivered by Trainer No. 11, who is not an employee of GoTrain. Training included 19 eight-hour sessions and 4 four-hour sessions on the same separate training dates for all trainees. We received trainee and/or employer confirmations from all 6 trainees sampled. Each of the confirmations only supported 50 training hours completed, below the 160 hours required for Job No. 4.

### Employer No. 13 – Western Computer

GoTrain submitted invoices to ETP that 7 trainees attended 224 hours [ETP funded a maximum of 200 hours] of training that ended on October 30, 2006. GoTrain reported online that these trainees began training on July 5, 2006. Review of GoTrain training rosters indicated that training occurred from September 12, 2006, through November 8, 2006, for 224 hours in Microsoft Navision. The Certification Statement (Form 100E) stated that Western Computer “specialize[s] in the implementation, customization and support of Microsoft Business Solutions Navision.” Further, they explained “...this training will allow our consultants to train other SoCal companies on this functionality which will enhance their relationship with their customers and vendors...” GoTrain reported that all the training was delivered by Trainer No. 8, who is not an employee of GoTrain. Training included 28 eight-hour sessions on the same separate training dates for all trainees. We received a trainee confirmation from 1 of the 4 trainees sampled. That confirmation only supported 40 training hours completed, below the 160 hours required for Job No. 4.

Recommendation	GoTrain, Inc. must return \$362,547 to ETP. The Contractor should enact sufficient management controls regarding training records to facilitate the accurate recording of data and initiate a system of verification to ensure that training hours reported to ETP for reimbursement are accurate. The Contractor should employ only post-secondary approved instructors to provide training and should not subcontract for training services. Contractor should notify ETP in writing of any planned subagreement prior to the commencement of the term of the subagreement so ETP staff can determine if subcontracted training would be eligible for reimbursement.
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## FINDINGS AND RECOMMENDATIONS (continued)

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### FINDING NO. 3 –

Contractor's  
Response and  
Auditor's  
Comments

#### Contractor's Response

1. GoTrain states "We have mentioned the circumstances surrounding our involvement with [Employer No. 6]. Training was conducted over several sites in Santa Barbara County." The Contractor stated there were difficulties involved with accurately recording required training information on rosters for distance learning. GoTrain further stated "We accept the disqualification for students whose signature information appears on rosters prior to their [hire] date but would like to request payment for rosters that they appear on where they are eligible."
2. "Students did not consider under cross examination from [the auditor] that lab hours spent working on the ERP systems while they were not yet in production (live) under the supervision of a lab instructor counted as lab time and counted to the total class/lab hours."

#### Auditor's Comments

1. We continue to disallow the 92 trainees placed with Employer Nos. 4, 6, 9, and 13. The training provided to the 39 trainees placed with Employer No. 6 was not eligible for one or more of the following reasons: 1) all training occurred prior to April 28, 2006, which was the authorized start of training for Phase 2; 2) trainee and employer responses did not support trainees completed a minimum of 160 training hours to be eligible for ETP reimbursement in Job No. 6; 3) 8 trainees signed rosters on training dates that occurred prior to their actual hire date with Employer No. 6, and 4) all training was performed by a subcontractor who was not a local educational agency.

Title 22 California Code of Regulations (CCR), Section 4442 requires Contractors to provide, as proof training was delivered, records that clearly document all aspects of training. Classroom/laboratory training records must include hours of attendance and dates of training, be certified daily with an instructor signature, and signed and/or initialed daily by the trainee. GoTrain's acknowledgement that they maintained invalid training records (for the 8 trainees who signed training rosters prior to their date of hire) further support that training hours invoiced and the training rosters themselves are not an accurate representation of actual training events.

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## **FINDINGS AND RECOMMENDATIONS (continued)**

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2. ETP Auditor conducted interviews on a voluntary basis with Trainee Nos. 57 and 82 and all written confirmations were returned by trainees and employers. Trainees and employers were asked to provide the total number of hour spent in classroom and laboratory training. The total training hours reported (40 to 50 hours) in Appendix 2 for the 7 trainees sampled with Employer Nos. 9 and 13 further validates that trainees did not complete a minimum of 160 training hours to be eligible for ETP reimbursement in Job No. 4. Training delivered to Employer No. 4 was provided by a subcontractor, Radiant Technologies, who was not a local educational agency.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 4 –**  
Insufficient Trainer  
Payment  
Documentation  
and Other Funding  
Sources

GoTrain did not maintain sufficient documentation regarding payment to trainers. As reported in Finding Nos. 1 through 3, GoTrain used both an internal trainer and subcontracted trainers to provide training for this Agreement. GoTrain submitted information showing that three of the trainers in this Agreement currently have a balance due owed by GoTrain. GoTrain was unable to provide adequate documentation (e.g. timecards, paystubs, invoices, and checks issued) for training services, thus the total amount of training hours provided by each trainer cannot be supported.

The following criteria are applicable:

1. Paragraph 5. a.1. of the Agreement states, “Contractor shall ensure that ETP... has the right during normal business hours to (1) examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor, including any subcontract...”
2. Title 22 California Code of Regulations (CCR), Section 4442 (a) requires Contractors to maintain and make available:
  - (1) records that clearly document all aspects of training and retention related to the training program;
  - (2) applicable financial records which document funds received and disbursed, and
  - (3) payroll and personnel records related to the ETP training agreement.

GoTrain provided a “Transaction List by Vendor” which identified GoTrain’s payroll transaction totals (for staff, trainers, etc.) and amounts paid to subcontracted trainers. The total amount paid shown in the transaction listing, amount paid according to Contractor’s representative, balance due per Contractor’s representative, and trainer confirmation results is shown on the next page.

In January 2008, Trainer No. 9 provided paycheck stubs and invoices for all payments made by GoTrain from 2005 through 2007. Based on this documentation, we identified that Trainer No. 9 had also provided training to “Delta Group” (Delta Airlines) for GoTrain through federal funding for job training under the Workforce Investment Act (WIA).

Trainer No. 9’s invoices and paycheck stubs show he provided 371

## FINDINGS AND RECOMMENDATIONS (continued)

hours of Computer Basics and Microsoft Office training to the Delta Group from March 6, 2006, through August 24, 2006. Trainer No. 9 was paid \$14,840 [(125 hours x \$40 per hour = \$5,000 on May 8, 2006) + (125 hours x \$40 per hour = \$5,000 on June 12, 2006) + (121 hours x \$40 per hour = \$4,840 on September 18, 2006) for WIA funding by GoTrain. When we reviewed the training dates and hours of training provided by Trainer No. 9 to Delta Group we discovered they overlapped training reported to ETP for Employer No. 8 – Mo Industries, Inc., dba Ella Moss. Thus, Trainer No. 9 was reported by GoTrain as providing training both to Delta Group employees and Employer No. 8 trainees for 24 of the same training dates from March through June 2006. As Trainer No. 9 was reported as performing training at the work site of Employer No. 8 during these dates (at 8 hours per day), it shows that two funding sources (ETP and WIA) were billed for training that overlapped the other.

In summary, Trainer No. 9 was paid \$7,050 (\$21,890 - \$14,840 WIA funds) by GoTrain to deliver training to Employer Nos. 1, 5, 8, and 10, in which GoTrain received \$211,688 in State funds.

Trainer No.	Amount Paid Per GoTrain Transaction Listing	Amount Due Per GoTrain Representative	Amount Due Per Trainer Confirmation	Code
2	--	--	--	A
3	--	--	--	A
4	\$3,948	--	--	
5	\$10,000	\$7,500	--	
6	\$15,000	--	--	C
7	\$19,700	--	--	A
8	\$600	\$5,000	--	
9	\$21,890	\$10,000	\$2,760	B
10	\$3,375	--	--	
11	\$12,500	--	--	
Totals	\$87,013	\$15,000	\$2,760	
LEGEND:				
A - Amount shown for Trainer No. 7 was the cumulative amount paid to Trainer No. 2, 3, and 7, as each were employed by Business Computing Systems, Inc.				
B - The amount paid per transaction listing was not used since payroll transactions were not coded by employee name; amount was verified to paystubs during the Agreement term, which agreed with the amount paid per GoTrain's representative.				
C - Trainer No. 6 confirmed that the amount reported by GoTrain was correct.				

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## FINDINGS AND RECOMMENDATIONS (continued)

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Recommendation	<p>GoTrain should maintain sufficient documentation (e.g. timecards, paystubs, invoices, and checks issued) regarding payments to trainers for ETP Agreements. The Contractor must also maintain adequate financial records which document funds received and disbursed for the ETP training agreement. Additionally, as the training provider, Contractor should notify ETP in writing promptly of other government-funded training program(s) used to support the training under this Agreement to determine if any training costs would need to be offset.</p>
Contractor's Response	<p>GoTrain states "The finding that trainer #9 was paid any money by WIA to deliver ETP training is completely false. 'Delta training' was provided at night, while ETP training was provided in the cited cases during the day."</p>
Auditor's Comments	<p>Our finding and recommendation remains unchanged. The report does not state that Trainer No. 9 was reimbursed by WIA to deliver ETP training. Trainer No. 9 was an employee of GoTrain who was reported to have provided training to separate groups of trainees, in which GoTrain received funding - ETP and WIA. On January 11, 2008, GoTrain confirmed receipt of \$64,000 in WIA funds issued on May 8, 2006, and September 20, 2006 for \$32,000, respectively. The report explains that training rosters documented by GoTrain and invoices provided by Trainer No. 9, had overlapping training dates and times.</p> <p>On February 27, 2008, Trainer No. 9 explained that training provided to the "Delta Group" typically occurred in two separate 4-hour training sessions in the afternoon (either 12:00 to 4:00 p.m. or 1:00 to 5:00 p.m. and evening (either 5:00 to 9:00 p.m. or 6:00 to 10:00 p.m.) for a total of 8 training hours per day [Note: Delta Group training from April 10, 2006, through August 24, 2006 did not exceed 4 hours per day]. This information is supported by detailed training invoices and/or paystubs during March 6, 2006 through April 6, 2006. Also, Trainer No. 9 explained that training for the Delta Group was delivered at a training conference room close to the LAX Airport, not at an employer worksite.</p> <p>However, GoTrain submitted original training rosters showing that Trainer No. 9 trained employees for Employer No. 8 (Ella Moss) from 8:00 a.m. to 5:00 p.m. on duplicative dates. At a minimum, the training times reported for Employer No. 8 would overlap the afternoon training sessions reported under the WIA-funded Delta Group. Again, the overlapping training dates and times further supports that training hours invoiced by GoTrain and the original training rosters themselves are not an accurate representation of actual training events.</p>



## FINDINGS AND RECOMMENDATIONS (continued)

### FINDING NO. 5 – Ineligible Trainee Occupations

GoTrain claimed reimbursement for 11 trainees who were employed in senior level or, executive positions after training. We previously disallowed training costs claimed in Finding Nos. 1-3 for each of these trainees. Noncompliance with ineligible trainee occupations was previously disclosed in our review of ETP Agreement No. ET04-0530.

Paragraph 5i, page 4 of the Agreement states, “No senior level managers or executive staff who set company policy are included in ETP-funded training under this Agreement.”

The following table shows the job occupation information, as provided by the trainee’s employer, for the 11 trainees.

Trainee No.	Employer No.	Position Title
16	2	Vice President, Production
57	4	Vice President of Finance
85	6	District Manager
86	6	District Sales Manager
97	6	District Sales Manager
98	6	President
111	6	Chairman of the Board
113	6	District Sales Manager
124	7	Vice President of Finance
178	11	Vice President
180	12	President

**Recommendation** GoTrain should ensure all retrainees are employed in the occupations specified in the Agreement and not in senior level or executive positions, prior to claiming reimbursement from ETP.

### Contractor’s Response

GoTrain states “1. VP Productions [Trainee No. 16] at [Employer No. 2]: There are less than 10 full time employees left at this firm so the quoted job title is barely credible 2. District Sales Manager [Trainee Nos. 86, 97, and 113] is not a policy-making position and as such should not qualify as a non qualifying job title.”

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## FINDINGS AND RECOMMENDATIONS (continued)

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Auditor's  
Comments

We continue to disallow these trainees. Exhibit A, VII. A. of the Agreement states, "Employment for each trainee shall be in the occupations listed in [the Agreement]..." The occupations identified were for frontline staff, managers and supervisors; however, none of the occupations listed were for senior level positions, such as Vice President (Trainee No. 16). The number of employees at Employer No 2 is not relevant to this finding.

On February 6, 2008, the representative of Employer No. 6 stated that their District Sales Managers (Trainee Nos. 86, 97, and 113) are involved in policy-making decisions (with the authority to hire and terminate staff) and as such are Senior Level Managers ineligible per Agreement terms.

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## FINDINGS AND RECOMMENDATIONS (continued)

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<b>FINDING NO. 6 –</b> Full-Time Employment Requirements Not Met And Ineligible Trainee	<p>Employment information shows that Trainee Nos. 22 and 107 did not meet full-time employment requirements. Also, employment information shows Trainee No. 128 was ineligible to receive training. We previously disallowed training costs claimed in Finding Nos. 1-3 for each of these trainees.</p> <p>The following criteria are applicable:</p> <ol style="list-style-type: none"><li>1. Exhibit A, page 4, paragraph VII-A of the Agreement between ETP and GoTrain states, “Each trainee must be employed full-time, at least 35 hours per week, with a single participating employer... for a period of at least ninety (90) consecutive days immediately following the completion of training. The retention period shall be completed no later than the last day of this Agreement. “</li><li>2. Exhibit A, page 2, paragraph III. of the Agreement between ETP and GoTrain requires that trainees be employed full-time by the Contractor for at least 90 days before the trainee begins training. Otherwise, to be eligible a trainee must have been employed at least 20 hours per week for at least 90 days by an eligible employer during the 180-day period preceding the trainee’s hire date with the current employer.</li></ol> <p>GoTrain reported that Trainee No. 22 completed the post-training retention period from November 24, 2005, through February 22, 2006. The trainee’s employer did not provide information regarding hours worked during the retention period. However, EDD base wage information shows Trainee No. 22 worked an average of 19 hours per week during the retention period. GoTrain reported that Trainee No. 107 completed the post-training retention period from July 1, 2006, through September 30, 2006. The trainee’s employer states the trainee was employed only 32 hours per week during the retention period.</p> <p>GoTrain’s training records show Trainee No. 128 began training on March 3, 2006. The trainee’s employer confirmed the trainee was hired on December 26, 2005, which is less than 90 days before the trainee began training. In addition, EDD base wage information shows the trainee did not have sufficient employment prior to the date of hire.</p>
Recommendation	GoTrain should ensure that all trainees meet full-time employment requirements during their post-training retention period and meet eligibility requirements prior to claiming reimbursement from ETP.
Contractor’s Response	The Contractor did not respond to this finding.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 7 –**  
Ineligible Training  
Agreements with  
Participating  
Employers

Training information shows most retrainees received a laptop computer as part of ETP-funded training. ETP was not notified by GoTrain that they had separate training agreements with participating employers nor that they provided trainees “free” computers as an incentive to complete ETP-funded training. As a result, GoTrain did not comply with Agreement requirements.

Title 22 California Code of Regulations, Section 4409.1 states that a multiple employer contractor may charge participating employers for training-related costs incurred by the contractor that are not reimbursed by ETP. The contractor certifies the following: 1) any charge to participating employers do not duplicate costs to be reimbursed by ETP; 2) informs ETP of the maximum amount per trainee that a participating employer may be charged; and 3) notifies each participating employer in writing, prior to the start of training, of the cost per trainee that ETP will reimburse, and specifies the amount being charged to the participating employer that is not covered by ETP funding.

ETP Audit Staff received employer and trainee responses for 39 trainee placements. According to the responses, 31 of 39 trainees received “free” laptop computers.

On December 3, 2007, ETP Audit staff asked the representative of GoTrain if participating employers and/or trainees received any training incentives, such as free laptops or computers to participate in ETP-funded training. The Contractor responded that laptops (computers) were provided to the trainees for most of the employers in this Agreement to assist trainees during the ETP-funded training. However, he stated that not all trainees received them. ETP Audit staff requested GoTrain to provide any agreements with participating employers and/or individual trainees in regards to these laptops.

On January 14, 2008, ETP Audit Staff received copies of signed “Letter[s] of Agreement” from 5 of the 13 participating employers. This agreement stated, in part, “The cost of the training program for eligible employees is provided for by the Employment Training Panel (ETP). The following information is to clarify the company’s obligation in obtaining this training for its employees”. GoTrain’s letter of agreement had 8 separate requirements, including: 1) failure to complete the ‘pre-determined’ entire course of company mandated study by a student will result in the company being liable for the full cost of the student’s entire training program at the rate of \$4,280, and 2) Company agrees to pay GoTrain up to \$1,200 day for class cancellation and for computers advanced to trainee, should training obligation by trainee not be fulfilled.

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## FINDINGS AND RECOMMENDATIONS (continued)

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GoTrain also provided 32 documents indicated as a "Receipt" for laptops issued to individual students. For 12 of the 32, they stipulated requirements such as 1) [Name of Trainee] acknowledges receipt of Dell Laptop Computer; 2) Computer becomes private property of trainee upon completion "of their entire course"; 3) "should individual fail the course, they must return the computer to GoTrain, Inc."; and 4) condition is "New" and value is "\$700." The other 20 documents titled "Receipt" show product information regarding the laptops and trainee information but did not include the items listed above.

ETP staff was not notified by GoTrain that participating employers may be charged for training costs or that trainees were advanced a laptop computer to participate in ETP-funded training.

**Recommendation** GoTrain should notify ETP staff if they plan to charge participating employers for any training costs or provide conditional training incentives.

**Contractor's Response** GoTrain states, in part "The computer laptops while they resembled a training incentive were not one. They had a specific purpose and were used for the purpose of online labs and class sessions. Without the laptops we would have been unable to run pilot ERP systems in parallel labs with the existing ERP legacy system (non production labs).

We received no refunds from companies or payments for laptops distributed to clients that did not meet the qualifying criteria for funding."

**Auditor's Comments** Our finding and recommendation remains unchanged. There was no documentation submitted by GoTrain or found in ETP files that supports employer agreements (for free laptop computers) were submitted to ETP staff. The use of an employer agreement, in which a multiple employer contractor charges participating employers for training costs incurred by a Contractor that are not reimbursed by ETP, are not invalid. However, staff must be informed of these separate agreements, including the maximum amount per trainee that a participating employer may be charged. GoTrain's "Letters of Agreements" and trainee "Receipts" indicate that employers and/or employee's [trainees] were fiscally liable unless they satisfactorily completed the entire training program. At no time, should any ETP-funded training related costs be passed on to a trainee.

We concur with GoTrain that we found no evidence that participating employers reimbursed GoTrain for laptops.

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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 8** – Trainee hourly wage data reported by GoTrain on invoices submitted to ETP was inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements.

Inaccurate  
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in a form and manner prescribed by ETP.”

Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, paragraph VII-A of the Agreement. This section states, “Each trainee must be employed full time... for a period of at least ninety 90 days following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on employer responses for 9 of the 19 initial random sample trainees. Trainee wage rates reported by GoTrain varied by 5 percent or more from actual wage rates for 7 of the 19 trainees (37 percent).

**Recommendation** GoTrain should ensure all wage rates for trainees submitted to ETP are accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest to ETP.

**Contractor’s Response** “GoTrain, Inc. has a student questionnaire that features among documents required of participants. This document is filled in by clients, we have no choice but to accept the data clients provide and ‘hope for the best’; we have no other recourse.”

**Auditor’s Comments** Our finding and recommendation remains unchanged. GoTrain should require employers to provide documentation of hourly wage rates (payroll register) to ensure it complies with the terms of the Agreement. Otherwise, inaccurate or incomplete data reported to ETP may result in repayment of unearned funds, plus applicable interest, to ETP.

*This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET06-0117 and should not be used for any other purpose.*

# ATTACHMENT A – Contractor's Response to Draft Audit Report

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Monday, February 25, 2008

Mr. Stephen Runkle  
ETP  
1100 J Street, 4<sup>th</sup> Floor  
Sacramento, CA 95814-2827

Subject: Response to audit findings from audit report for ET06-0117 GoTrain, Inc.

Dear Mr. Runkle,

We are writing to respond to the findings of the final audit report for the contract ET06-0117.

## **Finding No. 1 – Unsupported Class/Lab Training Hours Not Met for 53 Trainees.**

GoTrain, Inc. maintained an eLearning platform. This facility allowed us to deliver live online labs as part of the class/lab ETP training requirement. Labs consisted for example in the case of Instructor #9: direct lecture (2) hrs and then lab work with an available lab instructor's input live online; the classrooms were open for the duration.

The fiscal margin in this case, was that we paid the instructor for the 2 hrs. but didn't pay for the 6 hours lab assistance where the lab assistant was essentially "standing by" and maybe not participating even though students in the lab were working as they have pledged they have done. In the case of Lecturer 9 we were overpaying him for the classroom portion of the class/lab format and so did not pay him for the lab supervision.

# ATTACHMENT A – Contractor's Response to Draft Audit Report

Session Set-up for French West dba. Hale Bob from 3/2/2007

The screenshot displays the LearningSpace Core interface within a Windows Internet Explorer browser window. The interface is divided into two main panels. The left panel, titled 'LearningSpace Core - Windows Internet Explorer', contains a sidebar with sections: 'Essentials', 'Detailed Description', 'Attachments', and 'Participants'. The 'Essentials' section lists session details: Meeting Name (Excel with Gary Klein 03/02/07), Start time (Fri, 3/2/2007 8:45 AM), Duration (0d 9h 00m), Has password (No), Status (Finished), Moderator (Producer Producer (producer)), Encrypted (No), and Recorded (No). The 'Detailed Description' section shows 'Live Session'. The 'Attachments' section shows 'Whiteboard Attachments' with 'No attachments'. The 'Participants' section shows 'Producer Producer (producer)'. The right panel, titled 'Apply' and 'Revert', contains configuration options: 'Excel with Gary Klein 03/02/07' (text input), 'Description' (text input with 'Live Session'), 'Collaboration Server' (dropdown menu with 'osagie'), 'Session Type' (dropdown menu with 'Moderated'), a checkbox for 'Allow for Invited Servers', radio buttons for 'Start Now' and 'Schedule' (selected), a 'Repeat...' button, a date and time selector showing '03/02/2007, 08:45 AM PST', a 'Duration (Days/Hours/Minutes)' selector showing '00/09/00', a checkbox for 'Record this session', and a 'Whiteboards' section with 'Add...' and 'Remove' buttons.

Essentials	
Meeting Name	Excel with Gary Klein 03/02/07
Start time	Fri, 3/2/2007 8:45 AM
Duration	0d 9h 00m
Has password	No
Status	Finished
Moderator	Producer Producer (producer)
Encrypted	No
Recorded	No

**Detailed Description**  
Live Session

**Attachments**  
Whiteboard Attachments  
No attachments

**Participants**  
Producer Producer (producer)

**Configuration Options:**

- Excel with Gary Klein 03/02/07
- Description: Live Session
- Collaboration Server: osagie
- Session Type: Moderated
- ☐ Allow for Invited Servers
- ☐ Start Now ☒ Schedule Repeat...
- (Month/Day/Year, Hours/Minutes): 03/02/2007, 08:45 AM PST
- Duration (Days/Hours/Minutes): 00/09/00
- ☐ Record this session
- Whiteboards: Add... Remove

It was the habit of management at the North Hollywood office for the manager to halve the funding requests we made as close to the Panel funding date as a week before. We were in the dark that this practice was not universal until we were advised that it was not so by Naomi Weingart.

With the approved amendment – in this contract - with different program requirements, we were in effect managing two contracts at the same time. When the individuals were listed for payment during the online invoicing process it was impossible to differentiate between those being invoiced for completion of the initial contract or completion of those job numbers approved as a result of the amendment (those were populated to the same list due to completion in the online tracking system). Rules are easy to follow but when allowances for differing circumstances are not considered when rules are designed, compliance becomes difficult.

Roberto Martinez:

Regarding the training at this client we must have miss-reported the course subject as it was Microsoft Office Labs.



# **ATTACHMENT A – Contractor's Response to Draft Audit Report**

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## **Finding No. 2 – Unsupported Class/Lab Training Conducted by an Unauthorized Contractor:**

I received a telephone call from the manager of the North Hollywood office Dolores Kendrick. Ms. Kendrick advised me that she was calling to gauge my opinion regarding current legislation concerning the employment rules regarding independent contractors for teaching. I advised her that this was an enduring problem for us as we trained in a niche industry with very few people available for inconsistent assignments who were not currently employed. She advised she would take our submissions. A second problem we illustrated was where some instructors wanted to process taxes individually and would not agree to be under our payroll. All indications –from her was that there was pending legislation – and that this situation was changing and so we relented when pressured by our trainers, especially when this pressure came after training had commenced. Later Ms. Kendrick was to advise Mr. Rufo that while she remembered “a conversation” - which was initiated by her – she could not recollect the details.

I would like to note that these same instructors were paid on our payroll in the previous year but as we advised they refused – after training had started – to submit to our internal payroll process for the duration of the training.

**Training that companies planned to pay for themselves represented a very marginal amount of the classroom training cost that trainers from BCS demanded. The ETP funding thus was supplemental in all cases of this finding.**

BCS: There were no purchase requests and subsequent invoices regarding this program because ETP's variable reimbursement would not allow for a standard dated reimbursement for training. BCS requested these documents but we were unwilling to comply because of the implications should funding be disallowed or should training not be delivered.

Karoun Dairies:

We regret if BCS went back and alleged to Karoun Dairies that they – BCS - were not paid and thus charged Karoun Dairies for training. We paid BCS and delivered five laptop computers for training to Karoun Dairies. Two machines were not delivered due to the slow pace of document submission by the company for the two additional individuals.

Our relationship with Karoun soured, but had they advised me that they had not received a credit for the hours of training we paid for I would surely have taken this up with BCS. I fail to see how my reimbursement is predicated on enforcing actions by BCS.

Simon G.: When they were told about us they were funded for training and we delivered supplemental training onsite as required in the contract.

# **ATTACHMENT A – Contractor’s Response to Draft Audit Report**

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Students did not consider under cross examination from Mr. Runkle that lab hours spent working on the ERP systems while they were not yet in production (live), under the supervision of a lab instructor, counted as lab time and counted to the total class/lab hours.

Recommendations regarding post secondary approved instructors: BPPVE stopped processing applications from us due to an overload of applications and staff shortages in 2005.

## **Finding #3: Unsupported Class/Lab Hours:**

GSW: We have mentioned the circumstances surrounding our involvement with them Training was conducted over several sites in Santa Barbara County. There is nothing in the ETP project administration process that allows for the collection of class signatures at the same time with instructor signatures for remote sessions; errors are then bound to occur. We accept the disqualification for students whose signature information appears on rosters prior to their employment date but would like to request payment for rosters that they appear on where they are eligible.

Training was conducted by an individual who is a business owner; it should not be considered unusual that this employee will seek to process his reimbursement through the IRS, how he processes all other work he does.

Students did not consider under cross examination from Mr. Runkle that lab hours spent working on the ERP systems while they were not yet in production (live) under the supervision of a lab instructor counted as lab time and counted to the total class/lab hours.

## **Finding #4: Unsupported Class/Lab Hours:**

**The finding that trainer #9 was paid any money by WIA to deliver ETP training is completely false.**

“Delta training” was provided at night, while ETP training was provided in the cited cases during the day.

## **Finding #5: Ineligible Trainee Occupations:**

1. VP Productions at Avis Roto Die: There are less than 10 full time employees left at this firm so the quoted job title is barely credible
2. District Sales Manager is not a policy-making position and as such should not qualify as a non qualifying job title.

## **Finding #6: Full Time Employment Not Met: No response**

# **ATTACHMENT A – Contractor’s Response to Draft Audit Report**

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## **Finding #7: Ineligible Training Agreements:**

We forwarded photographs to Barry Worthington at ETP and advised staff at the North Hollywood office that we were delivering laptops - to be used for online training and labs - to clients. Established ETP contractors deliver computers to companies to establish computer labs using ETP funds; our process was considerably more beneficial to the individuals rather than the companies.

The computer laptops while they resembled a training incentive were not one. They had a specific purpose and were used for the purpose of online labs and class sessions. Without the laptops we would have been unable to run pilot ERP systems in parallel labs with the existing ERP legacy system (non production labs).

We received no refunds from companies or payments for laptops distributed to clients that did not meet the qualifying criteria for funding.

## **Finding #8: Wage Verification:**

GoTrain, Inc. has a student questionnaire that features among documents required of participants. This document is filled in by clients, we have no choice but to accept the data clients provide and “hope for the best”; we have no other recourse.

## **Unsupported Class/Lab Hours:**

### **Summation:**

Several contracting companies reported of Mr. Runkle’s interrogation style “interviews” where it was reported that he would tell clients who confirmed training hours as reported by us, that “He did not believe them”. This was a program that was specifically marketed to companies as a “low-doc” effort on their part, yet it is precisely the opposite that prevails in the audit process. Companies that confirm the training data as reported by us, are thrown out of the sample and where companies relent to the pressure of a lack of documented evidence and then give reports based on vague memory, their statements are used to deny us any reimbursement.

Gary Klein is an example of precisely the issues faced by trade schools when contracting with instructors: Find an individual who is competent, an expert in what they are going to teach, and also is not employed and will remain available for intermittent training assignments.

# **ATTACHMENT A – Contractor's Response to Draft Audit Report**

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Mr. Klein is a disgruntled employee with a balance of wages owed to him that we cannot pay as a result of this administrative process that was begun in April/May 2007.

Yours Sincerely,

Original signed by:

Reggie Akpata  
School Director  
GoTrain, Inc.  
[www.eneke.com](http://www.eneke.com)  
5150 E. Pacific Coast Hwy., 2nd Floor  
Long Beach CA 90804  
562 985-0974  
562 985-0984 fax.

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## ATTACHMENT B - Appeal Process

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### 4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
  - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
  - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
    - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
      - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
      - (2) Conduct a hearing on a regularly-scheduled meeting date; or
      - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
    - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
    - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

**Amended: December 30, 2006**

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## APPENDIX 2 – Training Hour Requirements Not Met

<b>Trainee No.</b>	<b>Training Hours Invoiced By GoTrain</b>	<b>Training Hours Per Original Training Rosters</b>	<b>Training Hours Per Trainee/ Employer</b>	<b>Training Hours Provided By An Approved GoTrain Instructor</b>	<b>Allowable Training Hours</b>	<b>Codes</b>
<b>EMPLOYER NO. 2 - Avis Roto Die Company, Inc. - Job No. 4</b>						
12	184	0	16	0	0	A
13	184	0	NR	0	0	A
16	184	0	NR	0	0	A
18	184	8	12	0	0	A
19	184	8	NR	0	0	A
21	184	0	16	0	0	A
<b>EMPLOYER NO. 3 - Bez Ambar, Inc. - Job No. 4</b>						
22	180	160	NR	0	0	A
24	180	160	50	0	0	A
26	180	160	45	0	0	A
27	180	160	40	0	0	A
30	180	160	NR	0	0	A
31	180	160	30	0	0	A
32	180	160	40	0	0	A
<b>EMPLOYER NO. 7 - Karoun Dairies, Inc.- Job No. 4</b>						
121	180	200	0	0	0	A
123	180	200	0	0	0	A
124	180	200	0	0	0	A
125	180	200	0	0	0	A
<b>EMPLOYER NO. 11 - Simon G Jewelry, Inc. - Job No. 4</b>						
167	180	176	NR	0	0	A
170	180	8	NR	0	0	A
173	180	176	NR	0	0	A
176	180	176	NR	0	0	A
177	180	176	NR	0	0	A
178	180	176	NR	0	0	A
179	180	344	NR	0	0	A
<b>EMPLOYER NO. 12 - Spartak Enterprises, Inc. - Job No. 4</b>						
180	180	192	NR	0	0	A
181	180	192	NR	0	0	A
182	180	192	NR	0	0	A

**LEGEND:**  
 A – Allowable training hours attended are less than 80% of 200 training hours required.  
 B – Allowable training hours supported are less than 100 training hours required (variable reimbursement Job No; 100 hours minimum to 200 hours maximum).  
 NR – No response to questionnaire was received from trainee or employer.

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[illegible]